

ASSEMBLY BILL

No. 848

Introduced by Assembly Member Nation

February 20, 2003

An act to add Sections 17041.1 and 23151.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 848, as introduced, Nation. Income and corporation taxes: tax: federal benefit.

The Personal Income Tax Law and the Corporation Tax Law impose taxes upon, or measured by, income.

This bill would impose an additional tax under each of those laws in an amount equal to the reduction in federal tax liability due to specified federal statutes, as provided.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the
2 following:

1 (a) Under existing federal law, a small business is allowed to
2 deduct for federal income tax purposes up to twenty-five thousand
3 dollars (\$25,000) when it purchases and places in service a vehicle
4 weighing 6,000 pounds or more.

5 (b) The original intent of this large vehicle provision was to
6 assist farmers and business owners requiring light trucks or vans
7 in their workplaces.

8 (c) Since the original large vehicle tax deduction was enacted,
9 Sport Utility Vehicles (SUVs) have dramatically grown in size.
10 There are currently 38 different luxury passenger SUVs that weigh
11 more than 6,000 pounds and qualify for a substantial tax
12 deduction. A similar deduction is not available for smaller
13 passenger SUVs.

14 (d) Existing federal tax law provides an incentive for small
15 businesses to purchase larger, less fuel-efficient SUVs.

16 (e) Under President Bush's 2003 Economic Stimulus Plan, the
17 administration proposes to raise the deduction cap currently set at
18 twenty-five thousand dollars (\$25,000) to seventy-five thousand
19 dollars (\$75,000) for small businesses, while retaining a 30
20 percent bonus deduction in the first year qualified equipment is
21 placed in service under existing law.

22 (f) If the federal amount is increased to seventy-five thousand
23 dollars (\$75,000) California income taxes should be increased in
24 the amount of the federal benefit.

25 SEC. 2. Section 17041.1 is added to the Revenue and Taxation
26 Code, to read:

27 17041.1. In addition to any other tax imposed by this part,
28 there is imposed upon the taxable income for each taxable year a
29 tax in an amount equal to the amount of the reduction in the
30 taxpayer's federal income tax liability for that taxable year
31 attributable to the deductions allowed to the taxpayer for federal
32 income tax purposes by Section 179, relating to election to expense
33 certain depreciable business assets, and by Section 280F, relating
34 to limitation on depreciation, of the Internal Revenue Code.

35 SEC. 3. Section 23151.1 is added to the Revenue and Taxation
36 Code, to read:

37 23151.1. In addition to any other tax imposed by this part,
38 there is imposed upon the taxable income for each taxable year a
39 tax in an amount equal to the amount of reduction in the taxpayer's
40 federal income tax liability for that taxable year attributable to the



1 deductions allowed to the taxpayer for federal income tax purposes
2 by Section 179, relating to election to expense certain depreciable
3 business assets, and by Section 280F, relating to limitation on
4 depreciation, of the Internal Revenue Code.

5 SEC. 4. This act provides for a tax levy within the meaning of
6 Article IV of the Constitution and shall go into immediate effect.

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